

# **Michigan 34<sup>th</sup> District Court**

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**Financial Report  
with Supplemental Information  
June 30, 2008**

# Michigan 34<sup>th</sup> District Court

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## Independent Auditor's Report

To the Judges  
Michigan 34<sup>th</sup> District Court

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the fiduciary funds information of the Michigan 34<sup>th</sup> District Court, which collectively comprise the Court's basic financial statements as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Michigan 34<sup>th</sup> District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the fiduciary funds information of the Michigan 34<sup>th</sup> District Court and the respective changes in financial position thereof for the year ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

December 3, 2008

# Michigan 34<sup>th</sup> District Court

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## Management's Discussion and Analysis

Our discussion and analysis of the Michigan 34<sup>th</sup> District Court's (the "Court") financial performance provides an overview of the Court's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Court's financial statements.

The Court is a joint venture of the Cities of Romulus and Belleville and the Townships of Sumpter, Van Buren, and Huron. Its financial activities are comprised of two major functions - the operation of the Court and its trust and agency transactions. The operation of the Court is reported in its General Fund. The trust and agency activities of the Court are reported in fiduciary funds.

### **Using this Annual Report**

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplemental information, and other supplemental information. The basic financial statements include information that presents two different views of the Court:

- The first column of the financial statements includes information on the Court's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Court's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government-wide financial statement column provides both long-term and short-term information about the Court's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Court as a whole and present a longer-term view of the Court's finances. These statements tell how these services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required and other supplemental information that further explain and support the information in the financial statements.

# Michigan 34<sup>th</sup> District Court

## Management's Discussion and Analysis (Continued)

### Condensed Financial Information

The table below depicts key financial information for the governmental activities in a condensed format as of and for the year ended June 30, 2008 and in comparison to the prior year:

	2008	2007
<b>Assets</b>	<b>\$ 313,687</b>	<b>\$ 278,532</b>
<b>Liabilities</b>	<b>\$ 313,687</b>	<b>\$ 278,532</b>
<b>Revenue</b>		
Operating transfer from the City of Romulus	\$ 3,175,176	\$ 2,918,970
Other sources	325,023	328,577
Total resources available	3,500,199	3,247,547
<b>Expenditures - Court services</b>	<b>3,494,308</b>	<b>3,260,836</b>
<b>Excess of Revenue Over (Under) Expenditures/ Change in Net Assets</b>	<b>5,891</b>	<b>(13,289)</b>
<b>Transfer (to) from the City of Romulus</b>	<b>(5,891)</b>	<b>13,289</b>
<b>Net Assets</b>	<b>\$ -</b>	<b>\$ -</b>

### The Court as a Whole

- The Court's primary source of revenues is contributions from the City of Romulus, which represents 91 percent of total revenue.
- Salaries and fringe benefits continue to be a significant expense of the Court, representing 84 percent of the Court's total expenditures.

### The Court's Fund

Our analysis of the Court's major fund is included on pages 5 and 6 in the first column of the respective statements. The fund column provides detailed information about the most significant fund, not the Court as a whole. The Court's major fund consists solely of the General Fund.

The General Fund's budget is prepared by Court administration and approved by the council of the City of Romulus. Substantially all of the expenditures of the Court are paid for by contributions from the City.

# **Michigan 34<sup>th</sup> District Court**

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## **Management's Discussion and Analysis (Continued)**

### **Court Budgetary Highlights**

Overall, case filing numbers increased from the previous fiscal year, resulting in additional revenue for the funding unit of more than one million dollars.

The Court's expenditures were slightly over budget primarily due to unanticipated compensation costs as a result of a staff retirement. In addition, the Court experienced higher attorney costs than budgeted due to labor arbitration costs. To help offset these costs, the Court hired part-time staff to cover open positions and reduced visiting judge costs by expanding the responsibilities of the court administrator.

The Court continued to invest in technology to better serve the public by adding a new credit card line to accept payments over the phone. In addition, three monitors were installed to increase the information available to the public. The Court has expanded the work program and now operates two buses daily.

### **Contacting the Court's Management**

This financial report is intended solely to provide our funding units, citizens, and taxpayers a general overview of the Court's finances and to show the Court's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Court's administration.

# Michigan 34<sup>th</sup> District Court

## Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2008

	General Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 131,453	\$ -	\$ 131,453
Prepaid expenses and other assets	50,104	-	50,104
Due from other local governmental units	-	132,130	132,130
Total assets	<u>\$ 181,557</u>	<u>\$ 132,130</u>	<u>\$ 313,687</u>
<b>Liabilities</b>			
Accounts payable	\$ 53,733	\$ -	\$ 53,733
Due to other local governmental units	54,046	-	54,046
Salary withholdings, accrued payroll, and payroll taxes payable	73,778	-	73,778
Compensated absences due within one year	-	120,282	120,282
Compensated absences due in more than one year	-	11,848	11,848
Total liabilities	<u>\$ 181,557</u>	<u>\$ 132,130</u>	<u>\$ 313,687</u>

# Michigan 34<sup>th</sup> District Court

## Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2008

	General Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
<b>Revenue</b>			
Operating transfer from the City of Romulus	\$ 3,185,000	\$ (9,824)	\$ 3,175,176
Other revenue	<u>325,023</u>	<u>-</u>	<u>325,023</u>
Total revenue	3,510,023	(9,824)	3,500,199
<b>Expenditures</b>			
Salaries and wages	2,041,584	-	2,041,584
Fringe benefits	911,900	(9,824)	902,076
Attorney fees	81,868	-	81,868
Professional fees and contractual services	81,028	-	81,028
Education and training	3,352	-	3,352
Dues, fees, and subscriptions	98,394	-	98,394
Building insurance, maintenance, and utilities	56,383	-	56,383
Equipment lease and maintenance	40,513	-	40,513
Furniture and equipment	20,580	-	20,580
Jury and witness fees	2,627	-	2,627
Reference material	6,787	-	6,787
Work program	19,235	-	19,235
Printing	32,724	-	32,724
Computer equipment and software	7,581	-	7,581
Supplies	40,390	-	40,390
Telephone	23,202	-	23,202
Travel	588	-	588
Reinstated bond	5,337	-	5,337
Postage	<u>30,059</u>	<u>-</u>	<u>30,059</u>
Total expenditures	<u>3,504,132</u>	<u>(9,824)</u>	<u>3,494,308</u>
<b>Excess of Revenue Over Expenditures/Change in Net Assets - Before transfer to the City of Romulus</b>	5,891	-	5,891
<b>Transfer to the City of Romulus</b>	<u>(5,891)</u>	<u>-</u>	<u>(5,891)</u>
<b>Excess of Revenue Over Expenditures</b>	-	-	-
<b>Fund Balance/Net Assets - Beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance/Net Assets - End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.



# Michigan 34<sup>th</sup> District Court

## Fiduciary Funds Statement of Assets and Liabilities June 30, 2008

	Agency Funds	
	Depository	Bond
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 63,167	\$ 7,008
Investments (Note 3)	<u>859,554</u>	<u>95,497</u>
Total assets	<u><b>\$ 922,721</b></u>	<u><b>\$ 102,505</b></u>
<b>Liabilities</b>		
Due to other local governmental units	\$ 696,461	\$ 4,821
Due to State of Michigan	177,982	-
Due to Wayne County	44,251	-
Appearance bonds payable	<u>4,027</u>	<u>97,684</u>
Total liabilities	<u><b>\$ 922,721</b></u>	<u><b>\$ 102,505</b></u>

# Michigan 34<sup>th</sup> District Court

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## Notes to Financial Statements June 30, 2008

### Note I - Summary of Significant Accounting Policies

The accounting policies of the Michigan 34<sup>th</sup> District Court (the “Court”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Court:

#### **Reporting Entity**

The Court is reported as a joint venture in the Cities of Romulus and Belleville and the Townships of Sumpter, Van Buren, and Huron, Michigan’s basic financial statements. Based on the significance of any operational or financial relationships with the Court, there are no component units to be included in the Court’s financial report.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Court’s basic financial statements include both the Court’s full accrual financial statements and modified accrual financial statements.

**Full Accrual Financial Statements** - The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets includes and recognizes all long-term compensated absence liabilities. The statement of net assets would also recognize all long-term assets; however, these assets have been funded through operating transfers to the General Fund from the City of Romulus and have, therefore, been capitalized by the City of Romulus.

The statement of activities includes expenditures for employee compensated absences.

**Modified Accrual Financial Statements** - The Court’s modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which is described below.

# Michigan 34<sup>th</sup> District Court

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## Notes to Financial Statements June 30, 2008

### **Note I - Summary of Significant Accounting Policies (Continued)**

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Court. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the financial statements in this report, into generic fund types in two broad categories as follows:

#### **Governmental Fund**

**General Fund** - The General Fund contains the records of the ordinary activities of the Court that are not accounted for in another fund. The General Fund includes the general operating expenditures of the Court, which consist mainly of salaries and fringe benefits for Court employees. Revenue is derived primarily from fines and costs payable to the City of Romulus. The City of Romulus approves the Court's annual General Fund operating budget. The Court periodically withdraws funds from the Depository Fund that otherwise would be due to the City of Romulus to operate the Court's General Fund. Excess revenue at year end is payable to the City of Romulus.

#### **Fiduciary Funds**

**Agency Funds** - Agency Funds are used to account for assets held by the Court as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Court uses the following Agency Funds:

- **Depository Fund** - This fund accounts for the receipt of fines and costs associated with criminal and ordinance violations for the five participating local units of government, the State of Michigan, the County of Wayne, and other third parties. The Court then distributes to the participating local units of government, the State of Michigan, and the County of Wayne, their share of fines and costs collected. The Court withdraws from the Depository Fund fines and costs that would otherwise be payable to the City of Romulus to operate the Court's General Fund.

# Michigan 34<sup>th</sup> District Court

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## Notes to Financial Statements June 30, 2008

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

- **Bond Fund** - This fund receives and holds bond monies from defendants as a promise to appear on an appointed court date. After the court date, the monies are applied to fines and costs, bond costs, forfeitures, and refunds, as appropriate.

#### **Financial Statement Amounts**

**Cash and Cash Equivalents** - The Court has defined cash and cash equivalents to include cash on hand and all highly liquid investments purchased with an original maturity of three months or less when acquired.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements**

The governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance of the Court's General Fund differ from the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance.

The statement of net assets includes the compensated absence liability of the Court employees and the statement of activities includes the expense related to this liability. As the City of Romulus ultimately subsidizes the Court's General Fund operations, a corresponding receivable and operating transfer has been recorded in the statement of net assets and statement of activities for these additional fringe benefits.

# Michigan 34<sup>th</sup> District Court

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## Notes to Financial Statements June 30, 2008

### Note 3 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Court has designated one bank for the deposit of its funds. The Court has not adopted an investment policy in accordance with Public Act 196 of 1997; however, the Court's deposits and investments are in accordance with statutory authority.

The Court's cash and investments are subject to two types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court does not have a deposit policy for custodial credit risk. At year end, the Court had approximately \$74,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Court evaluates each financial institution with which it deposits its funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Court has no investment policy that would further limit its investment choices. As of year end, the Court had approximately \$955,051 invested in mutual funds that were rated A1/P1 by Standard and Poor's/Moody's.

# Michigan 34<sup>th</sup> District Court

## Notes to Financial Statements June 30, 2008

### Note 4 - Interfund Receivables

The following are the interfund receivables at June 30, 2008:

Fund Due To	Fund Due From	Amount
General Fund	Depository Fund	\$ 62,862

### Note 5 - Budget Information

The annual budget of the General Fund is prepared by Court management and adopted by the City Council of the City of Romulus, Michigan; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget process is initiated in January for the following fiscal year. At this time, the financial director provides the Chief Judge with the appropriate financial information. The Chief Judge then prepares the budget and submits it to the City Council shortly thereafter for formal approval.

The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The General Fund budget has been adopted in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Actual expenses exceeded budget in the current year by approximately \$48,500. While the City Council has adopted a General Fund budget in total, a comparison of actual results of operations to the General Fund budget is included in the financial statements at the line-item level.

### Note 6 - Allocation to Local Units

The Depository Fund of the Court receives all fines, costs, and probation income. These receipts are allocated to its District Control Unit and each participating local unit on a specific identification basis, as follows:

- One-third of fines, costs, and probation income specifically identified to the City of Belleville, Huron Township, Sumpter Township, and Van Buren Township is remitted to those communities. The remaining two-thirds is retained by this fund.

# Michigan 34<sup>th</sup> District Court

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## Notes to Financial Statements June 30, 2008

### Note 6 - Allocation to Local Units (Continued)

- Fines and costs collected by the Court within 14 days from the date of infraction are returned in full to the local participating unit of government and are not subject to the two-thirds reduction described above.
- On a monthly basis, the Depository Fund transfers funds to the Court's General Fund in an amount necessary to meet its operating budget.
- Statutory payments are remitted to the State of Michigan and Wayne County; remaining assets are remitted to the District Control Unit, the City of Romulus.

### Note 7 - Postemployment Benefits

The Court provides healthcare and dental benefits to employees upon retirement, in accordance with labor contracts. Currently, seven retirees are eligible. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$69,000.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

### Note 8 - Risk Management

The Court is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Court has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

# Michigan 34<sup>th</sup> District Court

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## Notes to Financial Statements June 30, 2008

### **Note 9 - Defined Contribution Retirement Plan**

Previously, the Court provided pension benefits for all its salaried and clerical employees through a multiemployer defined contribution plan sponsored by the City of Romulus. Effective September 1, 2004, the Court's employees had the option to either remain in the City of Romulus plan or switch to the Municipal Employees' Retirement System of Michigan (MERS). Employees with a loan balance with the City of Romulus pension plan were required to remain in the City's plan. All employees hired subsequent to September 1, 2004 are automatically enrolled in the MERS plan and have no option to enroll in the City of Romulus plan.

#### **City of Romulus Retirement System**

The City of Romulus retirement system is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At June 30, 2008, there were four employees participating in the City of Romulus pension system. As established by labor contracts, the plan requires the Court to make contributions totaling 10 percent of employees' base earnings (no overtime). Employees may make voluntary contributions up to a maximum of 10 percent of their annual compensation during each of these years. Full vesting takes place after 20 months of service for all contributions and related account earnings. In accordance with these requirements, the Court contributed approximately \$13,000. There were no employee elective contributions during the year.

### **Note 10 - Defined Benefit Retirement Plan**

**Plan Description** - The Court also participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all its salaried and clerical employees not electing to participate in the City of Romulus Retirement System described above. MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain MERS for these employees was established by negotiation with the Court's competitive bargaining units and does not require a contribution from the employees.



# Michigan 34<sup>th</sup> District Court

## Notes to Financial Statements June 30, 2008

### Note 10 - Defined Benefit Retirement Plan (Continued)

**Annual Pension Cost** - For the year ended June 30, 2008, the Court's annual pension cost of approximately \$244,000 for MERS was equal to the Court's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 29 years.

	Fiscal Year Ended June 30		
	2006	2007	2008
Annual pension costs (APC)	\$ 132,138	\$ 156,795	\$ 243,707
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
Actuarial Valuation as of December 31			
	2005	2006	2007
Actuarial value of assets	\$ 1,973,499	\$ 2,299,661	\$ 2,727,650
Actuarial accrued liability (entry age) (AAL)	\$ 3,079,405	\$ 3,389,885	\$ 4,537,636
Unfunded AAL (UAAL)	\$ 1,105,906	\$ 1,090,224	\$ 1,809,986
Funded ratio	64.09%	67.84%	60.11%
Covered payroll	\$ 1,255,559	\$ 1,264,706	\$ 1,447,878
UAAL as a percentage of covered payroll	88.08%	86.20%	125.01%

## **Required Supplemental Information**

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# Michigan 34<sup>th</sup> District Court

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Budget*	Actual	Favorable (Unfavorable) Variances with Amended Budget
<b>Revenue</b>			
Operating transfer from the City of Romulus	\$ 3,185,000	\$ 3,185,000	\$ -
Other revenue	<u>270,636</u>	<u>325,023</u>	<u>54,387</u>
Total revenue	3,455,636	3,510,023	54,387
<b>Expenditures</b>			
Salaries and wages	1,987,572	2,041,584	(54,012)
Fringe benefits	920,000	911,900	8,100
Attorney fees	50,000	81,868	(31,868)
Professional fees and contractual services	102,000	81,028	20,972
Education and training	10,000	3,352	6,648
Dues, fees, and subscriptions	51,464	98,394	(46,930)
Building insurance, maintenance, and utilities	91,000	56,383	34,617
Equipment lease and maintenance	51,000	40,513	10,487
Furniture and equipment	15,000	20,580	(5,580)
Jury and witness fees	5,000	2,627	2,373
Reference material	7,500	6,787	713
Work program	10,100	19,235	(9,135)
Printing	40,000	32,724	7,276
Computer equipment and software	15,000	7,581	7,419
Supplies	30,000	40,390	(10,390)
Telephone	25,000	23,202	1,798
Travel	1,000	588	412
Reinstated bond	6,000	5,337	663
Postage	<u>38,000</u>	<u>30,059</u>	<u>7,941</u>
Total expenditures	<u>3,455,636</u>	<u>3,504,132</u>	<u>(48,496)</u>
<b>Excess of Revenue Over Expenditures - Before</b>			
transfer to the City of Romulus	-	5,891	5,891
<b>Transfer to the City of Romulus</b>	<u>-</u>	<u>(5,891)</u>	<u>(5,891)</u>
<b>Excess of Revenue Over Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\*No amendments were made to the original budget during the fiscal year.

## **Other Supplemental Information**

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# Michigan 34<sup>th</sup> District Court

## Combining Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b><u>Depository Fund</u></b>				
<b>Assets - Cash and cash equivalents</b>	<b>\$ 914,404</b>	<b>\$ 11,202,567</b>	<b>\$ 11,194,250</b>	<b>\$ 922,721</b>
<b>Liabilities</b>				
Due to General Fund	\$ 65,440	\$ 292,497	\$ 357,937	\$ -
Due to other local governmental units	617,709	7,919,335	7,840,583	696,461
Due to State of Michigan	180,954	2,147,891	2,150,863	177,982
Due to Wayne County	47,549	740,395	743,693	44,251
Due to others	2,752	102,449	101,174	4,027
Total liabilities	<b>\$ 914,404</b>	<b>\$ 11,202,567</b>	<b>\$ 11,194,250</b>	<b>\$ 922,721</b>
<b><u>Bond Fund</u></b>				
<b>Assets - Cash and cash equivalents</b>	<b>\$ 79,764</b>	<b>\$ 1,455,498</b>	<b>\$ 1,432,757</b>	<b>\$ 102,505</b>
<b>Liabilities</b>				
Due to other local governmental units	\$ 4,844	\$ 94,851	\$ 94,874	\$ 4,821
Appearance bonds payable	74,920	1,360,647	1,337,883	97,684
Total liabilities	<b>\$ 79,764</b>	<b>\$ 1,455,498</b>	<b>\$ 1,432,757</b>	<b>\$ 102,505</b>

December 3, 2008

To Judge Tina Brooks-Green  
Michigan 34<sup>th</sup> District Court  
11131 Wayne Road  
Romulus, MI 48174

Dear Judge Green:

We recently completed our audit of the basic financial statements of Michigan 34<sup>th</sup> District Court (the "Court") for the year ended June 30, 2008. As a result of our audit, we have the following comments and recommendations for your review and consideration.

### **Financial Results**

The Court's volume has continued to increase over the past several years, resulting in an increase in the depository fund receipts of approximately 15 percent in the current fiscal year. This resulted in continued increases in the amounts transmitted to the Court's funding units. We understand the Court's budget for the 2008/2009 fiscal year assumes a similar level of activity. We encourage the Court to continue to monitor this activity on a monthly basis (in the event there is a need for budget modifications). We compliment the Court on this result.

### **Financial Policies and Internal Control Considerations**

#### **Funding of Other Postemployment Benefits (i.e., Retiree Health Care)**

We have been discussing with the Court for several years the new accounting standards - referred to as GASB 43 and GASB 45 - which will now require local governments to recognize the cost of retiree health care and other similar nonpension benefits over the working life of employees on an actuarial basis. GASB 45 is effective for the Court's fiscal year ending June 30, 2010. Based on the actuarial valuation at June 30, 2007, the Courts unfunded liability is approximately \$2.9 million and the annual required contribution is approximately \$300,000 for Court staff. If the Court decides to fund at the level determined by the actuary, the Court will need to incorporate this new cost into the Court's budget process for fiscal year 2009/2010.

#### **Cross-training/Transition Planning**

In conjunction with the Court's strategic planning initiatives, we would encourage the Court to review anticipated transitions within key positions to ensure proper cross-training has been performed. It is our understanding that there are several duties within the financial reporting area that are performed by a single individual. Given the complex accounting structure of the Court, we recommend the Court review these responsibilities to identify staff members that should be cross-trained to ensure accurate and timely reporting during any transition periods.

### **Segregation of Duties**

Currently, the individual that opens the mail does not prepare a listing of receipts prior to distributing the cash receipts to be entered into the register. We recommend the individual that opens the mail maintain a receipt log that can then be verified against register receipts to ensure all funds received through the mail are properly accounted for.

### **Summary of Prior Recommendations**

Over the past several years, we have made recommendations related to opportunities to strengthen the Court's internal controls, including:

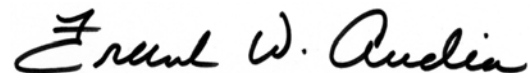
- Restricting access to blank checks
- Adopting formal investment, credit card, and wire transfer policies

We understand the Court is currently in the process of drafting the investment and credit card policies. We continue to encourage the Court to revise its policies and procedures to address these issues.

We would like to thank Sandy Crout as well as all of the Court's personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

**Plante & Moran, PLLC**



Frank W. Audia



Stacey L. Reeves